

Perhaps the biggest media story of 2010 was the influence of Tea Party voters on the congressional landscape. The new congress comes to Capitol Hill with a mandate to end profligate spending and restore fiscal sanity, we are told. But when the House and Senate convene in January, the newly elected members will face tremendous pressure to maintain spending levels for entitlement programs. Even the most modest proposals to trim Social Security or Medicare spending will be met with howls of indignation and threats of voter revolt. Legislators who propose any kind of means testing or increased retirement ages can expect angry visits from senior citizen lobbyists ready to fund a candidate back home who supports the status quo.

But millions of Americans now realize that the status quo is an illusion that will not last even another 10 or 20 years. The federal government cannot continue to spend a trillion dollars more than it collects in revenue each year, because we are running out of creditors. Fiscal reality is setting in, and the consequences may be grim even if Congress finds the courage to take decisive action now.

Courage begins with a commitment to see things as they are, rather than how we wish they were. When it comes to Social Security, we must understand that the system does not represent an old age pension, an "insurance" program, or even a forced savings program. It simply represents an enormous transfer payment, with younger workers paying taxes to fund benefits. There is no Social Security trust fund, and you don't have an "account." Whether you win or lose the Social Security lottery is a function of when you happened to be born and how long you live to collect benefits. Of course young people today have every reason to believe they will never collect those benefits.

Notice that neither political party proposes letting people opt out of Social Security, which exposes the lie that your contributions are set aside and saved. After all, if your contributions really are put aside for your retirement, the money is there earning interest, right? If your money is in your "account," what difference would it make if your neighbor chooses not to participate in the program? The truth, of course, is that your contributions are not put aside. Social Security is simply a tax. Like all taxes, the money collected is spent immediately as general revenue to fund the federal government. But no administration will admit that Social Security is nothing more than an accounting ledger with no money. You will collect benefits only if future tax revenues materialize as hoped; the money you paid into the system is long gone.

My hope is that at least some members of the new Congress will cut through the distortions and see Social Security as it really is. The best way to fix the impending Social Security crisis is also the simplest: allow younger individuals to opt out of the program and use their tax savings to invest privately as they see fit. This is the true private solution. Your money has never been safe in the government's hands, and it never will be.